

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, MAY 12, 2011
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

**AMENDED
MINUTES
6/9/2011**

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for their Regular Meeting at 677 Queen Street, Suite 300, Honolulu, Hawaii, on Thursday, May 12, 2011, at 9:00 a.m.

Chairman David Lawrence called the meeting to order at 9:00 a.m.

Present: Director David Lawrence, Chairman
Director Ralph Mesick, Vice Chairman
Director Betty Lou Larson, Secretary
Director Kalbert Young
Director Michael Ng
Director Francis Jung
Director Gary Siracusa
Director Allan Los Banos
Designee Mary Alice Evans

Executive Director Karen Seddon

Excused: Director Richard Lim

Staff Present: Sandra Ching, Deputy Attorney General
Craig Iha, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Marlene Lemke, Real Estate Services Section Chief
Galen Lee, Fiscal Manager
Patrick Inouye, Housing Finance Specialist
Byron Chock, Housing Finance Specialist
Jocelyn Iwamasa, Housing Finance Specialist
Peter Nelson, Property Management Coordinator
Lisa Wond, Planner
Lorraine Egusa, Budget Analyst
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Denise Wise, Hawaii Public Housing Authority
Barbara Arashiro, Hawaii Public Housing Authority
Sarah Molseed, Reno & Cavanaugh
Michael Bratsafolis, Reno & Cavanaugh
Ava Goldman, Michaels Development Company
Monika Mordasini, Michaels Development Company
Makani Maeva, Vitus Group
Jennifer Sugita, Attorney General Office
Corinne Ching, State of Hawaii House Representative

A quorum was declared present.

Director Mesick moved, seconded by Director Young, to approve the Meeting Minutes of April 14, 2011.

The motion was unanimously approved, as circulated.

**CALL TO
ORDER/
ROLL CALL**

QUORUM

**II. A.
APPROVAL
OF MINUTES
4/14/11
Regular
Meeting**

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Director Jung moved, seconded by Director Los Banos, to approve staff's recommendation:

That the HHFDC Board of Directors:

- A. Approve the certification of KPT Towers I, LLC for purposes of exemption from conveyance tax for Kuhio Park Terrace – Towers A and B, pursuant to section 247-3(17), HRS; and
- B. Authorize the Executive Director to take all actions necessary to effectuate the purposes of the For Action.

Chief Planner Janice Takahashi presented the For Action, stating that the existing public housing Kuhio Park Terrace (Project) consists of 572 family units in two 16-story towers, located in Kalihi, Oahu.

The following information was highlighted:

The Hawaii Public Housing Authority (HPHA) will sell the Project to KPT Towers I, LLC, who will rehabilitate, own, and manage the Project. The HPHA owns the land and will retain fee simple ownership and convey the leasehold interest in the property.

The rehabilitated Project will consist of 555 units for households earning 60% of the area median income and below for an affordability period of 30 years.

Section 247-3(17), HRS states that "Any document or instrument conveying real property to any nonprofit or for-profit organization that has been certified by the HHFDC for low-income housing development," is exempt from the imposition of conveyance tax.

To be eligible for this exemption, HHFDC (i.e. HHFDC Board of Directors) must certify that the organization is acquiring the real property for low-income housing development.

A correction was noted on page 2, last paragraph, as follows:

"With Hawaii Administrative Rules, such certification may be a ministerial function, provided the conveyance of real property is for low-income housing development as defined in the rules. However, in the absence of rules, this certification must be made by the Corporation, which is the Board of Directors."

Upon Board approval, the Executive Director will provide written notification of the certification to the Department of Taxation for the conveyance tax exemption.

Based on the transfer price of \$49,665,000 for the Project, KPT Tower I would be exempted from the payment of conveyance tax totaling \$496,650.

Pursuant to Senate Bill 1241, SD 1, HD 1, CD1, which was enrolled to the Governor on April 20, 2011, the section 247-3(17) conveyance tax exemption will be repealed effective July 1, 2011.

Ms. Takahashi stated that the Executive Director Denise Wise and Executive Assistant Barbara Arashiro, from HPHA, and the Project team were present.

In response to Director Larson, Ms. Ava Goldman, with Michaels Development Company, and Ms. Sarah Molseed, with Reno & Cavanaugh, noted the following:

- 1. The rent structure for 58 of the units is: \$746.00 for one-bedroom units; \$894.00 for two-bedroom units; and \$1,033.00 for three-bedroom units. All other remaining units are deeply subsidized, requiring up to 30% of a

III. A. DISCUSSION AND/OR DECISION MAKING

Approve Certification of KPT Towers I, LLC for Purposes of Exemption From Conveyance Tax for Kuhio Park Terrace – Towers A and B, TMK No.: (1) 1-3-039: 001 Parcels 1-F (Tower A) and 1-D (Tower B), Pursuant to Section 247-3(17), Hawaii Revised Statutes

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tenant's income to be paid for rent.

- 2. The \$49,665,000 amount will be in the form of a promissory note and will be deferred over an extended period. The U.S. Department of Housing and Urban Development requires any proceeds to be used for affordable housing only.

The motion was unanimously approved.

Director Jung moved, seconded by Director Mesick, to approve staff's recommendation:

That the HHFDC Board of Directors:

- A. Approve the certification of Banyan Housing, L.P. for purposes of exemption from conveyance tax for Banyan Street Manor, pursuant to section 247-3(17), HRS; and
- B. Authorize the Executive Director to take all actions necessary to effectuate the purposes of the For Action.

Ms. Takahashi presented the For Action, stating that the Banyan Street Manor (Project) consists of 55 existing units, owned by the HPHA.

The following information was highlighted:

Under this sale transaction, the City and County of Honolulu will issue a new long-term lease to the HPHA, who will sub-lease the property to Banyan Housing, LP, who will then rehabilitate and make the Project available for families earning 50% and below the area median income for an affordability period of 61 years.

A correction was noted on page 2, last paragraph, as follows:

“With Hawaii Administrative Rules, such certification may be a ministerial function, provided the conveyance of real property is for low-income housing development as defined in the rules. However, in the absence of rules, this certification must be made by the Corporation, which is the Board of Directors.”

Based on the transfer price of \$8.5 million for the Project, Banyan Housing, L.P. would be exempted from the payment of conveyance tax totaling \$76,500.

In response to Director Larson, Ms. Ava Goldman, of Michael's Development, stated that the units will be subsidized, requiring up to 30% of a tenant's income to be paid for rent.

Director Siracusa referenced the term “green” improvements in section II. B. of the For Action and suggested that the word “sustainable” be used since the improvements are for sustainable energy.

The motion was unanimously approved.

Director Mesick moved, seconded by Director Los Banos, to approve staff's recommendation:

That the HHFDC Board of Directors:

- A. Approve the certification of Ewa Homes II, L.P. for purposes of exemption from conveyance tax for Ewa Villages, Phase Two, pursuant to section 247-3(17), HRS; and

**III. B.
DISCUSSION
AND/OR
DECISION
MAKING**

Approve Certification of Banyan Housing, L.P. for the Purposes of Exemption From Conveyance Tax for Banyan Street Manor, TMK No.: (1) 1-7-031: 029, Pursuant to Section 247-3(17), Hawaii Revised Statutes

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**

Approve Certification of Ewa Homes II, L.P. for Purposes of Exemption From Conveyance Tax for Ewa Villages – Phase

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B. Authorize the Executive Director to take all actions necessary to effectuate the purposes of the For Action.

Ms. Takahashi presented the For Action, stating that Ewa Villages Phase II (Project) is a planned rental housing project that will consist of 76 newly constructed units, located in Ewa Beach, Oahu.

The following information was highlighted:

The proposed rental units will be made available to those earning 30%, 50%, and 60% of the area median income for an affordability period of 61 years.

~~Based on the transfer price of \$209,607,000 million for the Project,~~ Ewa Homes II, L.P. would be exempted from the payment of conveyance tax totaling \$12,578.40.

Ewa Homes, L.P. has been transferred to Ewa Homes II, L.P.

A correction was noted on page 2, last paragraph, as follows:

“With Hawaii Administrative Rules, such certification may be a ministerial function, provided the conveyance of real property is for low-income housing development as defined in the rules. However, in the absence of rules, this certification must be made by the Corporation, which is the Board of Directors.”

In response to Director Mesick, Ms. Marian Gushiken, on behalf of the Project, stated that three separate Limited Partnerships have been created to manage the three Phases being undertaken, with Hui Kauhale being the General Partner for all three.

In response to Director Ng, Ms. Gushiken stated that construction is anticipated to start next Spring.

The motion was unanimously approved.

Director Young moved, seconded by Director Mesick, to approve staff’s recommendation:

That the HHFDC Board of Directors approve the following:

- A. Extend the RHTF Project Award LOI to July 15, 2011, subject to the requirements set forth in the For Action dated November 12, 2009.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the E Komo Mai Apartments (Project) consists of 45 family units, located in Hilo, Hawaii.

The following information was highlighted:

The proposed Financing Structure, Project Budget and Use of Funds, and the estimated construction timeline for the Project were cited, with construction anticipated to start in May 2011, the first building being completed in September 2011, and the second building in November 2011.

In consideration of the Project’s major milestones met and a precaution 45-day extension, the Project still anticipates closing on its Rental Housing Trust Fund loan by the May 31, 2011 expiration date.

In response to Director Larson, Mr. Ueki stated that he believed the market to be

Ewa Villages – Phase Two, TMK Nos.: (1) 9-1-017: 076 and 007, Units 5 and 6, Pursuant to Section 247-3(17), Hawaii Revised Statutes

CORRECTED
6/9/11

**III. D.
DISCUSSION
AND/OR
DECISION
MAKING**

Approve an Extension To the Rental Housing Trust Fund Letter of Intent for the E Komo Mai Apartments Project Located in Hilo, Hawaii, TMK No.: (3) 2-4-025:001

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moving in a positive direction. Housing Finance Specialist Patrick Inouye added that the Project has a commitment for its Low Income Housing Tax Credits and an amended Limited Partnership Agreement is being circulated.

Vitus Group Maeva Makani shared her experience with the current market, which she feels is getting better.

In response to Chairman Lawrence, Mr. Inouye stated that the ground lease is being finalized, with its estoppel and lessor’s consent pending.

The motion was unanimously approved.

Director Mesick moved, seconded by Director Los Banos, to approve staff’s recommendation:

That the HHFDC Board of Directors:

- A. Approve the Substantial Amendment to the State of Hawaii’s Consolidated Plan for Program Years 2010 through 2014;
- B. Approve the State of Hawaii’s Consolidated Plan Annual Action Plan for Program Year 2011; and
- C. Authorize the Executive Director to undertake all tasks necessary to submit and implement the Action Plan.

Planner Lisa Wond presented the For Action, stating that the State of Hawaii’s 5-Year Consolidated Plan (CP) proposed amendment will include loan guarantees and acquisition and rehabilitation activities for affordable rentals and homeownership.

The Annual Action Plan (AAP) for Program Year 2011 (PY2011) is for the period of July 1, 2011 to June 30, 2012.

The HHFDC administers the HOME Program and anticipates receiving approximately \$3,001,000, with a portion retained by the HHFDC and remaining funds distributed equally among the Counties of Hawaii, Kauai, and Maui.

The Benefits, Employment and Support Services Division of the Department of Human Services (DHS) administers the ESG and HOPWA Programs and anticipates receiving approximately \$326,000 and \$178,000, respectively.

The intended uses and objectives of the programs’ funding were cited.

During the 30-day public comment period, the HHFDC received one comment from the HPHA in support of the Action Plan.

The HHFDC plans to submit its PY2011 AAP to HUD by May 13, 2011.

In response to the Board, Ms. Wond clarified that each county receives an estimate of the annual amount of HOME funds and based on those estimates, each county goes through their own RFP process and approvals to select activities to receive HOME funding.

The motion was unanimously approved.

Chairman Lawrence proceeded to the Report of the Executive Director.

Executive Director Seddon reported that the Draft HHFDC Audit is pending information from the Department of Accounting and General Services (DAGS) with regard to the contributions for employee pensions.

III. E. DISCUSSION AND/OR DECISION MAKING
Approve: (1) a Substantial Amendment to the State of Hawaii’s Consolidated Plan for Program Years 2010 through 2014; and (2) the Annual Action Plan for Program Year 2011

IV. REPORT OF THE EXECUTIVE DIRECTOR

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In response to Executive Director Seddon, Director Larson noted the following: (1) Delegation of all board secretary duties to Executive Director Seddon in her absence for the July 14 and August 11, 2011 Board Meetings (Effective from June 10, 2011 through August 31, 2011); and (2) accepted nomination to serve another term as the HHFDC Board Secretary, if the Board should elect to do so at its July 14, 2011 Annual Board Meeting.

In response to the Board, Executive Director Seddon, Ms. Takahashi, and Mr. Ueki noted the following:

The Na Hale O Maui has hired a consultant to help in determining if and/or how the organization should expand the Community Land Trust model beyond the island of Maui.

Capital Improvement Project (CIP) funding approved for HHFDC in the 2011 Legislative Session include: (1) \$10 million in Fiscal Year (FY) 2012 and \$5 million in FY 2013 for the Rental Housing Trust Fund; (2) \$7 million in FY 2012 for monetization of the State Low Income Housing Tax Credits; and (3) \$26 million in FY 2012 for the Senior Residence of Iwilei.

The following funds are relinquished to the State's general fund: (1) \$428,000 from the Kikala-Keokea Housing Revolving Fund; (2) \$520,780 from the UH Faculty Housing Project Fund; and (3) \$100,174 from the Waialua Loan Subsidy Program Fund.

The HHFDC has applied and been approved for funding from Neighborhood Stabilization Program (NSP), Round 5; however, funds are pending Congressional approval. All funding from previous rounds have been expended and Staff continues to seek other applicable funding resources.

The HHFDC is notified on non-judicial foreclosures of interest. However, with SB 651, the lender and the borrower are required to mediate prior to proceeding with a non-judicial foreclosure. Therefore, HHFDC would not be notified nor involved until the non-judicial foreclosure proceeding begins.

In the anticipation of being absent during the strategic planning session in July 2011, Director Larson raised a question on the HHFDC's strategic plan as it relates to the Governor in his initiative on Homelessness and how the HHFDC intends to utilize its resources for permanent housing. She noted that the City and County of Honolulu created a "10-point system" for projects willing to participate in the ready-to-rent program targeted for homeless families coming out of transitional shelters.

Executive Director Seddon stated that the HHFDC is actively participating in seminars and taskforces regarding homelessness and the Corporation needs to be mindful of the requirements of its own financial programs. However, discussions on strategic focus will be forthcoming at the strategic planning session.

Director Ng noted that the Governor is looking to expand the inventory of affordable/workforce housing using properties of the Department of Education (DOE).

In response to Director Ng's comment, Executive Director Seddon stated that Staff has submitted their input on the DOE workforce housing model to DBEDT Director Richard Lim, explaining that (1) affordable rental housing in Hawaii normally requires large subsidies; (2) such housing would need to be targeted to households above the workforce income level to generate meaningful revenue; and (3) SB 1385 required all revenues to go to the DOE to support schools rather than to support additional affordable housing.

With no further business on the agenda, Chairman Lawrence called for a motion to adjourn.

**V.
ADJOURNMENT**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Director Mesick moved, seconded by Director Young, to adjourn the meeting at 9:50 a.m.

The motion was unanimously approved.



BETTY LOU LARSON
Secretary